The Coworking Office Market in Germany

There are currently more than 500 coworking spaces in Germany and the space take-up of this sector saw a fivefold increase from 2016 to 2017. More than 200,000 square metres or 5% of total office space take-up were rented in the seven largest German office markets last year. In comparison, the average share in the largest European cities is currently 7.5%.

Two German cities, Berlin and Hamburg, are in the European top ranks. The top five are London with a market share of 26%, Paris (15%), Berlin (10%), Warsaw (6%) and Hamburg (5%).

Experts see further upside potential for the German sector as coworking office providers from abroad that are not present in Germany yet are still likely to enter the local market. Latest example is the Australian provider Servcorp which is opening its first German coworking location in Berlin in autumn this year.

The largest coworking providers in Germany are currently WeWork (U.S.) with ca. 90,000 m², Regus (Germany), 100,000 m², and Design Offices (Germany) with ca. 85,000 m², followed by Rent24 (Germany) with 50,000 m² after a merger with Friends Factory, mindspace from Israel and Spaces from Netherlands with ca. 30,000 m² each.

Coworking is usually associated with startups and freelancers as core tenants, however two thirds of the overall coworking space is occupied by established companies.

There are different variations of coworking concepts. The more general term is flexible office space providers that are divided in three categories:

- Business Centers, which provide high level of service and emphasise on clients’ privacy
- Typical coworking spaces with open-space working areas and a communal character
- Hybrid concepts as a mix of the above two (e.g. WeWork is a popular provider of such coworking model)

The Coworking Landscape of Berlin

The Berlin coworking office market has reached a share of 8% in total take-up occupying over 71,000 square metres last year and providing 3,600 coworking places. Moreover, with a 50% growth, its offer is expanding faster than the national and European average (25%) among large cities.

The capital is currently the only German city in the world-wide top-ten coworking real estate markets.
A good overview of the Berlin coworking landscape can be taken from the below map (provided by Settle In Berlin). The most recent openings, especially in the City West, are not included in it yet. For example, the new office by WeWork in the recently constructed Upper West building. Two new locations by Unicorn are being converted into coworking offices in the area. WeWork will open two more locations this and next year (currently 5), rent24 is about to open its fourth location shortly as well as Servcorp (as already mentioned above).

Next to the major established coworking offices there are a great variety of small and medium size companies — from a cozy, creative coworking loft (such as Tante Renate in Kreuzberg) or a cafe in Wedding (bekehr Anti Café) to a business center focusing high professional standards (such as Co.up).

Many offer 24/7 access, some even have a night owl tariff (such as St. Oberholz) or accept Bitcoin payments (Launch/CO). There are places that specialise in artistic and creative clientele (e.g. StOberholz, which offers a room for podcast recording or Agora Collective, that positions itself as an "experimental center for artistic production and presentation" including "exhibitions, event programs, month-long workshop projects, artistic residency opportunities" and more).

The campus Factory Berlin offers a Businessclub solution for entrepreneurs and focuses on renowned tech companies (amongst the tenants are Twitter, Pinterest, Soundcloud, UBER, 6Wunderkinder).

Toddler is a coworking location that combines work and family providing an integrated kindergarden.

A pop-up coworking space is currently being tested by Deutsche Bahn (DB) in cooperation with WeWork. The trial is running at Berlin Central Station, where the pop-up work desks with high-speed and free coffee can be accessed by DB business class customers.

An interesting combination of coworking, coliving and recreation is Coconut (although not exactly in Berlin). It is a "workation retreat" in Belzig (a direct train connection is provided from Berlin within 1 hour) and is like a country home offering overnight stays, a big library and a firespace, as well as numerous recreational activities including a spa nearby.

Coworking prices for a work station/desk range from 13.50 € per day or 169 €, night owls can rent a desk at 99 € month.

Concluding Remarks

Coworking real estate in Germany and Berlin, in particular, has established itself as a decent submarket in the office property. While still at an early stage of development, it is expanding considerably fast offering opportunities to coworking space providers as well as diverse coworking options to users.
And the upside potential makes it a really promising market. But what does actually make coworking sustainable?

Colliers International conducted a survey among both providers and users of flexible working space in order to answer this question. The survey identified key drivers for the demand of coworking offices: cost effectiveness, scarcity of office space in desired locations and the need to remain flexible.

These advantages of coworking are quite obvious. Renting conventional offices involves pre-contract transaction costs, costs for furniture and technical equipment - investments that become redundant in the coworking world. Small working places and the sharing concept additionally keep the costs down. The flexibility of coworking allows short-term leases and cancellations, particularly important for young, unestablished enterprises as well as companies with varying staff size (e. g. project based employment). Locations in central areas allow users to have representative residencies with goos access via public transport.

The need for these assets is extremely unlikely to change over time (especially cost effectiveness will always be a key value) and that already make coworking to a sustainable business.

Interestingly, other underlining characteristics of coworking such as communal sense and provision of full service are not on top of the list of users, as the survey revealed.

However, there are numerous aspects and social trends that are at least supportive of the coworking trend. For example, the changing work environment due to increasing numbers of young enterprises (who cannot invest in permanent offices at the early stages), more frequent combinations of freelance workers and permanent staff requiring flexible work space solutions. The growing share in digital natives and generation Y, who care about networking, self-expression, work-life balance, design, service, sharing economy and pay-as-you-use mentality.

Berlin is currently at the center of these developments. The expansion of coworking space offer in the German startup capital and one of fastest growing startup hubs world-wide against the backdrop of continued economical growth, seems well justified.

While central locations are currently the preferred target of coworking space providers, the ever increasing scarcity of large, contiguous spaces may open the possibility that the expansion could soon reach areas outside the S-Bahn ring.

Please note that the contents of this newsletter have been researched and written according to the best of our knowledge; however they are in no way to be accepted as a legal advice or suggestion. Therefore we exclude any liability.

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